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Foreign and Commonwealth Office

London SW1A 2AH

13 December, 1974

Dear Tom

Records of the Meetings of Heads of State and
Government together with Foreign Ministers

As I told you on the telephone the Foreign and Commonwealth Secretary asked me to try and reconstruct a record from the fairly extensive notes which he took during the meetings.

... I attach a draft record of the first meeting which Mr. Callaghan has seen. He is content with it and, subject to your agreement, has said that it can be distributed as background information to Common Market posts, Washington and to a limited number of people who would be interested to see it in the FCO and Cabinet Office.

Could you let me know whether you agree with the record and with the procedure for distribution. I will let you have in draft the record of the second meeting after Mr. Callaghan has seen it.

Yours ever
Anthony Acland

(A. A. Acland)

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RECORD OF MEETING OF HEADS OF STATE/GOVERNMENT AND FOREIGN MINISTERS OF THE EUROPEAN ECONOMIC COMMUNITY AND THE PRESIDENT OF THE COMMISSION HELD AT THE QUAI D'ORSAY PARIS AT 1500 ON MONDAY 9 DECEMBER.

(Reconstructed from Mr. Callaghan's notes)

Introduction and Organisational matters

1. After opening the meeting M. Giscard d'Estaing said that the Foreign Ministers had cleared the ground but the role of the Summit was not just to take note of documents that had been agreed. The reason for holding the meeting was that Heads of Government did not meet often enough. There had only been three meetings in five years and personal relations between Heads of Government were not close enough. The world was becoming increasingly organised. The Arab oil producers and non-aligned countries had frequent meetings. Europe must become more organised too. But there were practical difficulties in organising such meetings and too much detail could be at the expense of an overall view and perspective. It was necessary to stand back and see the whole

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picture and to measure up to the present state of European construction. The meeting should be as informal as possible with bureaucratic considerations in the background. Heads of Government should exchange ideas rather than clear the ground for administrative work. The final outcome should not be a document which had come from somewhere else on which Heads of Government merely put a rubber stamp. This was why the meeting was being held in its present form without journalists or officials. M. Sauvagnargues would explain the procedures further.

2. M. Sauvagnargues said that there would be a small secretariat to take a few notes on any decisions that might be made. The meetings would also be recorded on tape. Herr Schmidt objected to this since it would mean that Ministers would weigh their words more carefully. It was agreed that no tapes would be made.

3. M. Sauvagnargues outlined the programme and said that the communique would be a decision sheet and not a lengthy handout. Mr. Wilson said that the Heads of Government would/

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would discuss energy, trade, unemployment and inflation on the following morning. If Foreign Ministers were meeting at the same time to deal with the communique how would the decision sheet include any decisions on these questions. Herr Schmidt said that the preparation of the communique had so far put too much emphasis on anti-inflation ^{measures} and not enough on problems of unemployment. He agreed with Mr. Wilson that these matters must be included in the communique. Mr. Joop den Uyl asked whether a special part of the agenda would be set aside for these matters and M. Tindemans suggested that there might be a discussion of all items that afternoon to see where agreement could be reached with the intention of continuing with outstanding issues on the following day. M. Giscard d'Estaing suggested that the afternoon meeting should start with

- (a) Institutional matters
- (b) Convergence of economic ~~matters~~ ^{policy}
- (c) Regional Policy
- (d) Renegotiation

Energy/

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Energy could be dealt with the following morning. Topics under (a), (b), and (c) must be discussed and it could be left to the UK to raise (d) if they wished to do so.

Mr. Wilson agreed but said that the communique should convey what had actually been said and not what the prepared documents had set out. The September meeting had been excellent because Heads of Government had sparked ideas off each other. M. Tindemanns pointed out that agreement on one point was linked for some Heads of Government with agreement on other points. Therefore a general discussion was necessary. M. Giscard d'Estaing agreed and announced that the discussions would begin with Institutional matters not because they had a higher priority but because there was a document in existence.

4. Institutional Matters

(i) Frequency of meetings

Mr. Wilson said that he was in favour of more rather than fewer Heads of Government meetings - three or four a year and personally he favoured four. At the end of each meeting

a date/

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a date should be agreed for the next one. Such routine meetings would not lead the world to expect dramatic results although from time to time there could be surprises. He was of course looking a year ahead since Britain's interest ^{in the matter} depended on the results of renegotiation. M. Giscard d'Estaing asked whether there was agreement on three or four meetings. Mr. Joop den Uyl said that he had reservations relating to the Brussels institutions and the authority of the Commission. He preferred two meetings a year although there might be room for a third (or even a fourth) but if Heads of Government met too often the Council of Ministers of Foreign Affairs could become paralysed. Heads of Government should not become an ex officio body. The Commission must be allowed to function properly and routine work should not be brought to a stand-still. Mr. Hartling agreed with ~~the~~ ^{Mr. Wilson} ~~Prime Minister~~ that the September meeting had been fruitful. Two regular meetings were definitely required and Heads of Government should thereafter meet as frequently as necessary. He supported Mr. Joop den Uyl's position. Signor Moro suggested a Summit

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meeting every three months on a basis of two regular ones per year and others when necessary. Herr Schmidt suggested a compromise of three a year (one in the capital of each presidency and one in Brussels) and others when required. Mr. Cosgrave favoured two a year and others when necessary and Mr. Wilson, M. Thorn, M. Giscard d'Estaing and Signor Moro agreed with Herr Schmidt's proposal.

(ii) Name of Meetings

M. Giscard d'Estaing proposed that the meetings of Heads of Government should be called the European Council. Mr. Joop den Uyl said he must make a reservation and might want to revert to the matter on the following day. M. Thorn said it would be a mistake to give the idea that a new institution was being created but if this was avoided he could agree to the name. M. Ortoli said that if the special and solemn character of summit meetings was removed then future meetings must be held within institutions of the Community.

Herr Schmidt/

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Herr Schmidt agreed to the phrase in Chapter 1 of the text ("Sessions of the European Council") but Mr. Hartling said he could not accept it. M. Giscard d'Estaing said that the arrangements would be within the institutions of the Community but there was also the framework of political cooperation. Mr. Wilson pointed out that unless a specific name was given the meetings would remain "the Summit". "Heads of Government meetings" was no better and he thought that the suggestion for "European Council" was the best. Mr. Joop den Uyl agreed. Mr. Hartling agreed with Mr. Wilson's arguments but said that in Denmark the wording of the Communique was very important and could cause political trouble. He could not agree to the inclusion of the phrase in the Communique. M. Giscard d'Estaing agreed with Mr. Wilson and expressed the hope that Denmark and Ireland would agree. He specifically asked Mr. Hartling to think again.

(iii) Secretariat

M. Giscard d'Estaing asked about the Secretariat/

Secretariat. M. Thorn pointed out that there was a Secretariat for the Council of Ministers and each Presidency provided its own for political cooperation meetings. He asked that a new Secretariat should not be set up. Mr. Joop den Uyl agreed. M. Tindemans suggested that the first alternative wording in square brackets i.e. "The Administrative Secretariat will be provided in an appropriate manner" was acceptable.

Majority/

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Majority Voting (Chapter III of the paper on Institutions)

Mr Callaghan asked why it was necessary to put this question in writing. Herr Schmidt said that as far as he was concerned he did not mind. Why not therefore make it easier for the UK and Denmark. Mr Joop den Uyl said that he would regret it if the whole paragraph was deleted: with the background of past history it meant something.

Mr Hartling said that it was only a problem if it was made one. For his part he would have to put the matter to his Parliament. M Giscard d'Estaing said that it was indeed a political question. There had been a real change in French policy. France used to believe in a rigid unanimity rule but no longer. There was a will to get away from the unanimity principle and this should be said. Did Mr Callaghan want his reservation included? Mr Wilson asked if it was intended that a country could reserve its position on a matter of vital national interest. M Thorn and M Tindemans answered firmly in the affirmative and Mr Wilson said that in that case the Heads of Government were arguing about words when the reality was to remain unchanged. The British Government was having to put the whole question to the British people. He could acquit the Heads of Government assembled round the table of any responsibility for the terms of British entry but the British reservation must be included in the text. M Thorn pointed out that he was the only Head of Government who had been involved in the British terms of entry. Herr Schmidt said that there was no specific German interest in the problem and he would therefore propose a compromise, suggesting that for smooth

functioning /

functioning the practice of taking decisions by unanimity should be abandoned for those matters in which no Member State could show a vital interest. In other words, if any country said that a particular matter represented a vital interest then a majority vote was not ^{permissible} possible.

M Thorn said that if this was agreed it would be more restrictive than the Luxembourg compromise. Mr Wilson said that he was attracted by Herr Schmidt's suggestion but there was another way of reaching agreement. No country would abuse the unanimity rule and the Luxembourg compromise had become something of a dirty word. He was prepared to withdraw the words in square brackets in Chapter III, sub-paragraph (b), if a phrase was added at the end to the effect that the procedure proposed would not apply to matters affecting a clear and vital national interest. M Tindemans said he could accept the wording in the square brackets. M Giscard d'Estaing thought it difficult to accept that the UK should have a special mention. A text should be worked out for the communiqué the following day. Mr Wilson thought that there was no difference between the Belgian and UK positions. ^{The British} Britain _{Government} seemed to be the only one willing to put their name to having vital national interests although every one else agreed that this was the case with them too. Another way of meeting the problem would be to put the first passage in square brackets at the end of sub-paragraph (b).

M Giscard d'Estaing suggested that the Foreign Ministers should draft a formula.

Direct Elections /

Direct Elections (Chapter V)

Mr Cosgrave suggested 1978 as the date to aim for. Mr Hartling said that he could agree in principle to the proposition but could not fix a particular year. He preferred the second alternative paragraph. Sr Moro and M Thorn said that Europe would be disappointed if progress was not made on this issue and M Thorn suggested that Heads of Government might note that direct elections should become a reality as soon as possible and that they would consider proposals by the Assembly in 1976. It might then be possible to add the suggestion for direct elections in 1978. Mr Hartling could accept M Thorn's proposals but without the commitment to elections in 1978. M Tindemans, M Giscard d'Estaing and Mr Joop den Uyl agreed with M Thorn. M Ortoli pointed out that the Treaty would have to be changed if more legislative power was given to the Assembly. Mr Wilson said that he could accept M Thorn's proposal, since the British reservation was made clear at the end and also on the last paragraph relating to the powers of the Assembly. M Giscard d'Estaing said that the principle was agreed though the date remained in question. Did the UK wish to retain its reservation? Mr Wilson said that he did.

European Union (Chapter VI)

M Giscard d'Estaing asked whether the work on this question should now be carried further. At the Paris Summit the three Institutions had been asked to prepare reports which might all be different. Should a Head of Government be asked /

asked to make a report on the content of European Union and if so it would be necessary to add to the text that one of the Heads of Government should submit an overall report based on the reports from the three Institutions. M Thorn wondered whether there should be a team headed by a politician and Mr Joop den Uyl expressed doubt about the proposal for a "wise man". He could accept the text as it stood. Mr Wilson supported M Giscard d'Estaing's proposal as the best way of making progress so that at the end of 1975 or early 1976 Heads of Government should be able to make decisions. He warmly supported the proposal that M Tindemans should do the job but he thought that he should consult very widely not only with Heads of Governments but with Parliaments, Trade Unions and the business community. He should then draw up a consensus. As regards M Thorn's proposal for a team, he thought that M Tindemans should choose his other "wise men" /after consultation with Parliaments and Heads of Governments. M Giscard d'Estaing, Herr Schmidt and Sr Moro agreed to the appointment of M Tindemans. But Sr Moro thought that the matter should not run beyond the end of 1975; nor did he think that M Tindemans could work alone. M Ortoli said he had no objection but it was necessary to be careful over the terms of reference. The "wise man" would have to work in close cooperation with the Institutions and especially with the Assembly. Mr Joop den Uyl said it was excellent ~~that~~ if one of the Heads of Government could be charged with the task but there should be an ad hoc committee to support him. It was necessary to avoid any conflict

with/

with the Institutions which were already working on the matter. M Giscard d'Estaing summed up to the effect that the issue should be settled by the end of 1975 and that ^{the reports were} ~~a report~~ was therefore needed in the first half of 1975. The "wise man" should undertake all the consultations he needed and should have full regard to the reports of the Institutions. Herr Schmidt said that he was satisfied with this summary. He personally was not wise enough to participate. His only advice was that the report should not be longer than thirty pages. M Tindemans accepted the task.

/Convergence

Convergence of Economic Policy

M. Giscard d'Estaing said that page two of the paper on questions of substance should be simplified for the communique. Joint concern should be expressed about inflation and employment. The surplus countries, for example the Federal Republic of Germany and Holland, had a certain responsibility to take economic decisions and deficit countries should not resort to restrictive or deflationary measures. Mr. Wilson agreed and thought that the points on pages 3 and 4 of the document should be stressed for the summary. Herr Schmidt said that pages ^{3 and 5} ~~3 & 5~~ had his complete agreement but the whole document had been prepared some weeks before. Since then the world had entered on a deep recession - the worst since 1945. This had been a fact since September and could turn into a depression. This was not sufficiently stressed particularly in view of the situation in the United States. The references to the labour market were inadequate and the communique should be reworded in this respect. The work force was getting afraid of unemployment. The American leaders were very worried and he had spoken to many of them

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during his visit. The draft no longer ¹⁵ seemed appropriate to present circumstances. Mr. Hartling said that these matters could not be solved in isolation. The Community countries must support each other.

Unemployment had increased in Denmark and a general election was being held because the Danish Government's policy had ^{come} ~~been~~ ^{under} ~~criticised~~ ^{criticism}. Policy must be coordinated with the other Community countries. The wording in the communique should be strengthened.

Mr. Joop den Uyl said that recession in the United States and reduction of imports would seriously affect Europe. Community countries should not take steps that would affect others. The Commission should report on measures necessary to support the level of work in the motor car, ship-building or textile industries. The aim should be to achieve quick decisions in GATT on tariffs. It was important to preserve purchasing power in order to maintain employment. The Federal Republic of Germany would have more than 1 million unemployed in February/

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in February (3.5%). Unemployment was at 3.3% in Holland. The Commission should develop an emergency programme. Mr. Wilson said that the document needed to be updated because of the developing recession. ~~[It]~~ was at its highest level for 13 years in the United States and for 18 years in the Federal Republic. There were signs of recession developing in the United Kingdom. There was also the problem of ~~x~~ cash flows in large firms and ^{also the threat} ~~threats~~ to international monetary institutions. It was essential not to seek in individual countries to restrict the trade of other people. Governments must fight ~~inflation~~ unemployment without intensifying inflation. In the past the two evils had not come together. They had to be overcome by democratic means and economic democracy was needed in addition to political democracy. Britain was having some difficulties over the social contract but its aims went wider than mere income guidelines into the field of social security. The essence of the contract was to fight against rising unemployment. M. Giscard d'Estaing said he entirely shared Mr. Wilson's concern.

Forecasts/

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Unemployment

Forecasts which were for only moderate growth now had to be revised downwards. There would be more recession in America and Germany than had been expected. Countries were in different situations. The Federal Republic seemed to have overcome the problem and with the Netherlands had a positive balance of payments. Others had large deficits, while a middle group had 10-14% inflation. As a result a single economic policy did not fit the needs of all and this was why he had spoken of "convergence". It might be necessary to meet again in January or February to discuss recession. Were the Federal Republic and Holland going to take more expansionist policies? In the communique it should first be stated that Heads of Government desired more active policies for economic growth and employment and there should also be a reference to international monetary problems, for example an analysis of the effects of oil prices. Although it was not a matter for the communique he intended to raise the question of the price of gold with President Ford in Martinique. The communique should

however/

of higher oil prices and inflation

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however be explicit in expressing the wish that surplus countries should follow a more active policy.

Herr Schmidt then outlined in strict confidence a number of measures which the Federal Republic would shortly be announcing. As regards his talks in America President Ford clearly realised the risks in the situation. Up to the third quarter in 1975 he was prepared to live with a degree of recession but he would not allow recession to take over. As regards the communique, Herr Schmidt said he had brought a senior economic adviser with him to help with the drafting.

Mr. Cosgrave suggested that it should be stated in the communique that the Federal Republic of Germany had laid proposals before the Council and that Heads of Government had agreed that they represented a useful step. Mr. Joop den Uyl said that this was somewhat embarrassing since the Netherlands had taken some measures three weeks ago. He agreed that it was necessary to carry on but they could not do more at present. Private industry in Holland

remained/

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remained in a depressed mood. Herr Schmidt suggested that a sentence should be included saying that the Dutch measures were a considerable step in the right direction. Mr. Wilson said that he applauded Herr Schmidt proposals and his confidence must be respected. M. Giscard d'Estaing would be meeting President Ford and should say on behalf of all the Community countries that the United States should do more to avoid a recession. The communique must not be facile but must show confidence, resolve and determination.

M. Giscard d'Estaing said that as regards the communique the Ministers of Foreign Affairs could deal with the passage on institutions. The section on the economy must not be a technical document but must emphasise the need to protect employment, to combat inflation and to desist from restrictive measures. It should state that the surplus countries had or would be taking appropriate measures.

It was agreed that there would be a drafting session with the German economic expert at 2200 hours at the Avenue Kleber Conference Centre.

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